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**MMARS Policy: Accounts Receivable**

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## **Electronic Payments**

### **Executive Summary**

Departments that are legislatively authorized to collect revenues, fee and other charges may establish electronic payment options to collect revenues, such as credit cards, debit cards, Automated Clearing House (ACH) payments. Electronic payment services are available under a Statewide Contract. Departments have the same obligation to reconcile electronic payments as any other payment.

### **Considerations**

Departments may not establish electronic payment processes without ensuring there are sufficient operating or other available funds to pay associated electronic payment processing fees. Unless otherwise provided by law, electronic payment processing fees may not be "netted" from revenues and departments cannot add the costs of the fees to the department fee or charge (a surcharge).

### **Policy**

Departments that are legislatively authorized to collect revenues, fee and other charges may establish electronic payment options to collect revenues, such as credit cards, debit cards, Automated Clearing House (ACH) payments. Executive departments are required to utilize the **Statewide Contract for Electronic Payment Processing**, established by the Office of the Comptroller (CTR) for obtaining these services. All relevant information related to the Statewide Contract are posted on [Comm-PASS](#) under Electronic Payments

Non-executive departments are highly encouraged to use the statewide contract, since the contract was negotiated with very favorable terms for the Commonwealth. Under this contract, departments that offer an Internet application for accepting electronic payments can also submit accounting information for these transactions, which will automatically generate Cash Receipt documents (CRs) in MMARS.

In order to use the statewide contract to accept electronic payments, Departments must complete an Enrollment Document, which is available from the (CTR) Revenue Bureau.

### **Funds Availability for Processing Fees and other Costs**

Departments must ensure funds availability to pay the costs of accepting electronic payments.

Departments may not initiate electronic payment options without setting aside sufficient operating or other available funds to pay the processing service charges and other charges associated with these services. The third party processing fees are not the only costs associated with implementation of an electronic payment process. In addition, web sites, web applications, trained staff to process and reconcile electronic transactions and maintain the electronic infrastructure, take orders or resolve problems, are also routine costs of electronic business.

Shifting to electronic payments reduces the number of staff who would normally be required to process point of sale or checks, but does not eliminate the need for dedicated personnel, maintenance costs and infrastructure costs. In the long run, electronic payments are more efficient than processing checks or cash manually. However, in the short term, there is more of a shifting of administrative costs, and in some cases a cost increase, associated with initial implementation of electronic payment processes that need to be adequately budgeted.

The ability to accept revenue must be specifically authorized in general or special law. Unless otherwise specified in this authorization, all revenues collected on account of the Commonwealth are required to be deposited into the General Funds, and are subject to further appropriation. Therefore, unless there is specific legislative authorization allowing a department to retain and expend all or a portion of the revenues collected “without further appropriation” (such as a retained revenue account or a trust account) a department will not be able to pay the associated processing fees from the amount of revenues collected,

### **No “Netting” of fees**

The Massachusetts Constitution and supporting statutes requires that all money received on account of the Commonwealth is deposited daily with the State Treasurer. See [Article LXIII Section 1](#), [M.G.L. c. 30, § 27](#), and [M.G.L. c. 10, § 17B](#). All revenues due and owing the commonwealth must be deposited and unless otherwise provided by law, the department may not approve, and an electronic payment contractor may not require the “netting” of the processing fees associated with an electronic payment, from the amounts collected in revenue.

Although the netting of fees is administratively easier, departments have a fiduciary responsibility to account for the “total” of all revenues collected. Fees associated with the collection of review are accounted for separately from the revenues.

### **Surcharges and Convenience Fees**

Departments are prohibited from adding the cost of electronic processing fees to the amount to be collected (considered a surcharge). See [M.G.L. c. 140D, § 28A](#). Although departments are free to offer a discount for paying by cash, check or similar means, departments may not make it more expensive for users to use electronic payments vs. other means.

One exception to the rule of adding a surcharge is the so-called “convenience fee” which are fees separate and apart from the department’s amount to be collected. A convenience fee is paid directly to the third party electronic payment processor to cover the cost of processing the payment. Convenience fees are not charged, collected, received by or recorded as revenue by the Commonwealth. This fee appears as a separate charge on the customer’s credit card or bank statement, paid to the processor and not transmitted to the Commonwealth.

However, convenience fees tend to discourage customers from making electronic payments and there are continuing public policy debates regarding the use of convenience fees. Although the contract covers future potential for the use of convenience fees by the Commonwealth, convenience fees are not being implemented currently.

Departments may also charge a higher fee for cash and check transactions, or “point of sale” transactions to encourage the use of electronic payments. Departments should consult with the CTR Revenue Bureau when considering implementation of an electronic payment process.

### **Reconciling Internet Electronic Payments.**

Departments should compare any delegated system reports they maintain with Information Warehouse queries from the External Cash Receipt Data Storage (ECDS) and External Cash Receipt (ECRT) tables, the daily settlement report provided by the electronic payment processing vendor, and, optionally, at additional cost to the department, the credit card processor's on-line merchant reports. This optional on-line service offers a wide variety of transaction reports, including daily deposits and monthly merchant statements that can be downloaded, e-mailed and/or printed.

### **Reconciling Non-Internet Electronic Payments**

Departments should compare any delegated system reports they maintain with the resulting CRs they have interfaced with or created in the MMARS Document Catalogue. Should a Department discover a system assurance problem and is unable to resolve the problem, they should contact the CTR Revenue Bureau.

### **Electronic signature and Department Head Authorization of MMARS documents**

Electronic signatures are limited to MMARS documents. **Electronic signatures can not yet be used for contracts, amendments or underlying supporting documentation.** With the implementation of the MMARS accounting system the Office of the Comptroller is aligning Electronic Security with Department Head Signature Authorization (DHSA) in fiscal year 2005 in order to take advantage of electronic signatures for MMARS processing. Every MMARS action must be confirmed/authorized by the department head or an authorized signatory. Department head authorization can be accomplished in one of two ways:

- **Administrator Security with DHSA.** If the employee (Administrator - system processor) who submits a document to final status is a department head authorized signatory, the data in the MMARS system will be sufficient documentation. What appears in MMARS will be the record copy of the document.
- **Recording Doc Id on all supporting documentation.** Since there is no paper copy required for the MMARS document the department will be required to include the MMARS Document Identification number (Doc ID) on all supporting documentation to “match” the supporting documentation with the electronic record of the MMARS document which will reside on MMARS. Recording the doc id on all supporting documentation can be accomplished by entry of the MMARS doc id on the first page of the supporting documentation, or by entering the doc id on a **MMARS Document Authorization/Records Management Form** which will act as the cover sheet to the supporting documentation for records management purposes.
- **Administrator Security without DHSA.** If the employee (Administrator - system processor) who will be submitting a document to final status is not a department head authorized signatory, the Administrator must obtain a live (“wet”) signature from an authorized signatory approving the document **PRIOR** to submitting the document to final status in MMARS.
  - **Review of document and supporting documentation.** Since a department head is required to authorize the official record of a MMARS document, which is what **actually appears in the MMARS system**, departments must ensure that whoever authorizes the document has reviewed the document and related supporting documentation prior to authorization.
  - **Written authorization.** The written authorization may appear on a screen-print of the document as entered and validated, but prior to final submission, or on a **MMARS Document**

**Authorization/Records Management Form** prescribed by CTR, to capture the prior authorization for documents.

- ***Filing of authorization with supporting documentation.*** Authorization documentation must be kept on file at the department along with the record copy of other supporting documentation related to the MMARS document. See **Records Management** below.

### **What does electronic signature of a MMARS document mean?**

When a department electronically submits a document to final status in MMARS, the department head is certifying to the Comptroller that the individual, on behalf of the department head, understands that their UAID (universal access identification) is being recorded for any entries made in the MMARS system **and that** that individual certifies under the pains and penalties of perjury that:

- it is their intent to attach an electronic signature approval and date to the MMARS document, **and that**
- they are either an authorized signatory of the department head who is authorized to approve the MMARS document as part of the department Internal Control Plan, **OR**
- that the document they are processing and any supporting documentation have been approved by an authorized signatory of the department head, secretariat and any other required prior approval (including secretariat signoff if required) and a copy of these approvals are available at the department referencing the MMARS document number, **and that**
- any expenditure or other obligation is supported by sufficient available legislatively authorized funds and is in accordance with the department's enabling legislation and funding authority; **and that**
- the MMARS document and any underlying supporting documentation are accurate and complete and comply with all applicable general and special laws, regulations and policies including public record retention and disposal requirements.

### **Records Management**

The department is the record keeper of the official record copy of all receivable information. MMARS is the official record of the receivables entered by the department and will supersede any paper copies of the same information. The department must maintain any supporting or back up documentation related to a receivable entered in MMARS. A department is responsible for retaining and archiving receivable records in accordance with the disposal schedules issued by the Secretary of State Records Conservation Board.

### **Internal Controls**

#### **Electronic Payments**

Under construction. See Accounts Receivable - Internal Controls – Revenue.

## **Information Sources**

Related Procedure – Under construction

- Related Policies:
  - Department Head Signature Authorization
  - Electronic Signatures for MMARS Documents
  - Accounts Receivable - Vendor/Customer Set up
  - Accounts Receivable – Debt Collection
  - Accounts Receivable – Intercept
  - Accounts Receivable – Payment Plans
  - Accounts Receivable – Cash Recognition
  - Accounts Receivable – Receivable Recognition and Reconciliation
  - Accounts Receivable – Lockbox Policy
  - Accounts Receivable – Invoice Statements
  - Accounts Receivable – Delinquent Debt Cycle
  - Accounts Receivable – Third Party and Multiple Third Party Billing
  - Accounts Receivable – Receivable Renewals
  - Accounts Receivable - Internal Controls – Revenue.
- Legal Authority - [M.G.L. c. 7A](#); [M.G.L. c. 29](#); [M.G.L. c. 30, §. 27](#); [M.G.L. c. 10, § 17B](#); [M.G.L. c. 29, § 29D](#); [M.G.L. c. 7A, § 3](#); Massachusetts Constitution [Article LXIII Section 1](#); [815 CMR 9.00: Collection of Debts](#); [M.G.L. c. 7A § 18](#).
- Attachments - None
- Links – [Current Statewide Contract](#)
- Contacts - [CTR Help Desk](#)

## **Revisions**

November 1, 2006 – Removed language referencing Knowledge Center and updated relevant links to Mass.gov portal site.